

## Message Text

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ACTION EA-12

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E.O. 11652: N/A  
TAGS: SHUM, EFIN, RP  
SUBJ: HUMAN RIGHTS -- PROPOSED IBRD LOAN FOR MAGAT RIVER MULTI-  
PURPOSE PROJECT (\$150 MILLION)

REF: STATE 91775

1. SUMMARY. THE PROPOSED LOAN WOULD FINANCE THE FOREIGN EXCHANGE PORTION OF PHASE II OF THE MAGAT RIVER MULTIPURPOSE PROJECT (MRMP), ENTAILING CONSTRUCTION OF A DAM ACROSS THE MAGAT RIVER IN NORTH CENTRAL LUZON. COMPLETION OF THE DAM WOULD IRRIGATE 27,000 HECTARES OF PRESENTLY-UNIRRIGATED LAND AND 46,000 HECTARES OF PARTIALLY-IRRIGATED LAND, ULTIMATELY SERVING A TOTAL AREA OF 102,000 HECTARES. A FURTHER PHASE, NOT PRESENTLY ENVISAGED FOR IBRD FINANCING, WOULD RESULT IN GENERATION OF 360 MW OF HYDRO POWER FOR THE LUZON GRID. ABOUT 23,000 FARM FAMILIES AND 10,000 LANDLESS FAMILIES WOULD BENEFIT FROM THE IRRIGATION, AND PER CAPITA INCOMES IN THE AREA WOULD INCREASE SUBSTANTIALLY. ABOUT 500 FAMILIES WILL HAVE TO BE RESETTLED, BUT GOP PLANNERS APPEAR TO HAVE THE PROBLEM IN HAND. END SUMMARY.

2. THE PROPOSED LOAN WOULD COVER THE SECOND PHASE OF THE MAGAT RIVER MULTIPURPOSE PROJECT (MRMP), AND WOULD FOLLOW PREVIOUS LOANS TO THE PROJECT OF \$9.6 MILLION BY  
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ADB AND \$42 MILLION BY THE IBRD. THE PRINCIPAL PORTION OF THIS PHASE OF THE PROJECT IS CONSTRUCTION OF THE MAIN DAM AND APPURTENANT STRUCTURES ACROSS THE MAGAT RIVER, A TRIBUTARY OF THE CAGAYAN RIVER IN THE UPPER CAGAYAN VALLEY, NORTH CENTRAL LUZON. ADDITIONAL IBRD ASSISTANCE WILL BE SOUGHT FOR THE IRRIGATION COMPONENT, WHILE SUPPLIER CREDITS WILL BE SOUGHT FOR THE POWER

GENERATION PHASE OF THE PROJECT, WHICH IS TO PROVIDE 360 MW FOR THE LUZON GRID.

3. GOP OFFICIALS HAVE PROVIDED A DRAFT OF THE IBRD STAFF APPRAISAL REPORT, FROM WHICH THE FOLLOWING INFORMATION ON BENEFITS IS EXTRACTED. THE PROJECTED IRRIGATION SERVICE AREA IS ABOUT 350 KM. NORTHEAST OF MANILA, ALMOST ENTIRELY IN ISABELA PROVINCE. COMPLETION OF THIS STAGE OF THE PROJECT WOULD PROVIDE AN ADDITIONAL 27,000 HECTARES OF RICE LAND WITH YEAR-ROUND IRRIGATION, AND A FURTHER 46,000 HECTARES PRESENTLY IRRIGATED IN THE WET SEASON WITH IRRIGATION WATER IN THE DRY SEASON. ABOUT 8,000 FARM FAMILIES AND 4,400 LANDLESS LABORERS' FAMILIES WOULD BENEFIT FROM INCREASED PRODUCTION AND ADDITIONAL EMPLOYMENT WITHIN THE STAGE II AREA, TOGETHER WITH ABOUT 15,000 FARM FAMILIES AND 5,500 LANDLESS FAMILIES IN THE STAGE I AREA. PRESENT CROPPING INTENSITY, ABOUT 107 PERCENT, WOULD INCREASE TO 200 PERCENT WITH THE PROJECT. BELOW IS THE EXPECTED CHANGE IN YIELD ON RAINFED RICE, WET SEASON IRRIGATED RICE, AND DRY SEASON IRRIGATED RICE LANDS, WITH AND WITHOUT THE PROJECT (IN TONS/HA.):

	RAINFED	IRRIGATED WET	IRRIGATED DRY	
PRESENT	1.5	2.0	2.1	
WITHOUT PROJECT	1.8	2.5	2.6	
WITH PROJECT		4.0	4.2	

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SINCE THE CAGAYAN VALLEY IS ALREADY A RICE SURPLUS AREA, THE INCREMENTAL PRODUCTION IS EXPECTED TO BE SOLD IN THE MANILA MARKET.

4. ACCORDING TO THE STAFF APPRAISAL, THE PRESENT ANNUAL PER CAPITAL INCOMES FOR THE AVERAGE FARM SIZE OF 3.0 HECTARES RANGE FROM \$80 FOR A LEASEHOLDER TO \$135 FOR AN OWNER-OPERATOR, SIGNIFICANTLY BELOW THE ESTIMATED PER CAPITA ABSOLUTE POVERTY LEVEL OF \$193. WITH THE PROJECT, THE PER CAPITA INCOME ON THESE FARMS WOULD INCREASE TO ABOUT \$475 FOR AN OWNER-OPERATOR AND \$305 FOR A LEASEHOLDER.

5. THOUGH THE POWER GENERATION PHASE OF THE PROJECT IS NOT INCLUDED IN THIS LOAN, IT WOULD, OF COURSE, BE IMPOSSIBLE WITHOUT CONSTRUCTION OF THE DAM. THE FUTURE VALUE OF MRMP'S POWER OUTPUT IS ESTIMATED AT \$43.8 MILLION ANNUALLY. THE POWER WILL BE FED INTO THE LUZON GRID AND MUCH OF IT ROUTED SOUTHWARD TO THE MANILA AREA, BUT WILL ALSO PERMIT EXTENSION OF RURAL ELECTRIFICATION IN THE CAGAYAN VALLEY.

6. RESETTLEMENT PROBLEMS DO NOT APPEAR TO BE SEVERE, AND THE EXECUTING AGENCY, THE NATIONAL IRRIGATION

AUTHORITY (NIA) HAS APPARENTLY LEARNED FROM PAS MISTAKES  
AT OTHER DAM PROJECTS. ABOUT 280 FAMILIES, NEARLY  
HALF OF WHO ARE HIGHLAND MINORITIES, WILL BE DISPALCED  
BY THE RESERVOIR AREA. THEY WILL BE RESETTLED ON THREE  
HECTARES EACH OF IRRIGATED LAND IN THREE AREAS, AND AN  
ADDITIONAL 200 FAMIOIES PRESENTLY WITHIN THESE THREE AREAS  
WILL PROBABLY ALSO SUFFER SOME DISLOCATION. NIA'S RE-  
SETTLEMENT PLANNING IS WELL UNDER WAY, AND BASED ON A RE-  
CENT VISIT TO THE SITE BY EMBASSY OFFICERS, THERE IS NO  
OVERT OPPOSITION TO GHE DAM ON THESE GROUNDS.  
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## Message Attributes

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